



Mayor Ardele F. Brede
201 4th Street SE – Room 281
Rochester, MN 55904-3782
Phone: (507) 328-2700 Fax: (507) 328-2727



February 13, 2015

The Honorable Patricia Torres Ray
Chair, State and Local Government
Committee
Minnesota State Senate
309 Capitol
75 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1606

The Honorable Tim Sanders
Chair, Government Operations and Elections
Policy Committee
Minnesota House of Representatives
553 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1206

The Honorable Dan Hall
State and Local Government Committee
Minnesota State Senate
103 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1206

The Honorable Michael Nelson
Government Operations and Elections Policy
Committee
Minnesota House of Representatives
351 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1206

The Honorable David Tomassoni
Chair, Environment, Economic Development
and Agriculture Budget Division
Minnesota State Senate
G-9 Capitol
75 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1606

The Honorable Patrick Garafolo
Chair, Job Growth and Energy Affordability
Policy and Finance Committee
Minnesota House of Representatives
485 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1206

The Honorable Bill Ingebrigtsen
Environment, Economic Development and
Agriculture Budget Division
Minnesota State Senate
143 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1206

The Honorable Tim Mahoney
Job Growth and Energy Affordability Policy
and Finance Committee
Minnesota House of Representatives
345 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1206

The Honorable Richard Cohen
Chair, Finance Committee
Minnesota State Senate
121 Capitol
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St. Paul, MN 55155-1606

The Honorable Jim Knoblach
Chair, Ways and Means Committee
Minnesota House of Representatives
453 State Office Building
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St. Paul, MN 55155-1206

The Honorable Michelle Fischbach
Finance Committee
Minnesota State Senate
15 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1206

The Honorable Rod Skoe
Chair, Taxes Committee
Minnesota State Senate
235 Capitol
75 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1606

The Honorable Julianne Ortman
Taxes Committee
Minnesota State Senate
119 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1206

Commissioner Cynthia Bauerly
Minnesota Department of Revenue
600 North Robert Street
St. Paul, MN 55101

The Honorable Paul Wilson
Chair, Olmsted County
Board of Commissioners
151 4th St SE
Rochester, MN 55904

The Honorable Lyndon Carlson Sr.
Ways and Means Committee
Minnesota House of Representatives
283 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1206

The Honorable Greg Davids
Chair, Taxes Committee
Minnesota House of Representatives
585 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1206

The Honorable Ann Lenczewski
Taxes Committee
Minnesota House of Representatives
209 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1206

Commissioner Katie Clark Sieben
Minnesota Department of Employment and
Economic Development
1st National Bank Building
332 Minnesota Street, Suite E200
St. Paul, MN 55101-1351

Re: Destination Medical Center
February 15, 2015 Report

Dear Senators, Representatives, Commissioners and Chairs:

Pursuant to 2013 Minnesota Laws, Chapter 143, Article 10 (the "Act"), the Destination Medical Center Corporation (the "DMCC") and the City of Rochester (the "City") must jointly submit a report by February 15 of each year with respect to the status of the Destination Medical Center initiative.

On behalf of the DMCC and the City, we are pleased to submit this report, setting forth the progress that has been made since the last report, dated February 14, 2014.

I. Destination Medical Center Activities to Date.

A. Development Plan Status.

One of the primary goals of the Act is the creation of a Development Plan.

In September 2013, the DMCC established specific goals and objectives for the Development Plan: to create a comprehensive strategic plan, and over the life of the project, to leverage \$585 million in eligible public funds in order to attract \$5 billion in private investment, create 35,000-45,000 new jobs, generate \$7.5 billion to \$8.5 billion in net new tax revenue, and achieve the highest quality patient, visitor and resident experience.

The Development Plan will be the strategic framework for the Destination Medical Center initiative, establishing a comprehensive business and economic development strategy. As described in the Act, the Development Plan must address several items, including land use, transportation and infrastructure planning, market research, funding priorities, business and economic development and market strategies.

As required by the Act, the DMCC engaged the Destination Medical Center Economic Development Agency (the "EDA") to assist the DMCC in preparing the Development Plan. Most of 2014 was focused on the planning, analysis and research necessary to draft the document. The EDA submitted the draft Development Plan to the DMCC on December 17, 2014, and it was posted and available on the DMCC website (www.dmccorporation.org) for public review and comment.

The DMCC formally submitted the proposed Development Plan to the City on January 29, 2015. The Act requires that the City must act on the proposed Development Plan within sixty days following its submission by the DMCC. The DMCC is also required to hold a public hearing, which will likely be scheduled in early April. Upon making the findings set forth in the Act, including finding that the City has approved the Development Plan, the DMCC may adopt the Development Plan.

B. Community Outreach.

The community engagement process in 2014 was robust. The EDA established an eighty-person community input committee, to engage experts in each of the core areas, in order to facilitate information-gathering and public comment. A master list of current studies, information, and initiatives was created by the group and shared with the planners during the information-gathering phase of the project. The outreach methods that were employed in this process throughout the year included: four public forums (approximately 1025 attendees); community conversations (approximately 175 attendees); the distribution of outreach toolkits; social media; stakeholder meetings (e.g. residents, downtown organizations, developers, businesses, etc.); meetings of the technical committee (including EDA and City/County staff); and other working sessions/meetings with City/County staff.

C. WMBE/Small Business Utilization.

The DMCC and City are committed to increasing opportunities for the growth of employment, local business and WMBE/Small Business utilization. The Act provides that for all public infrastructure projects, the City must make every effort to hire and cause the construction

manager and any subcontractors to employ women and members of minority communities, and must establish goals for construction projects. The City adopted a plan and goals for the Destination Medical Center initiative on July 21, 2014.

D. Websites.

As stated in our previous report, the DMCC has established a website: www.dmccorporation.org. The website contains the regular meeting schedule, meeting agendas, minutes and other information on DMCC activities. The EDA has also created a website: www.dmcmn.org, which contains general information on the project, including information about the community outreach process. The City's website, www.rochestermn.gov, also has a link to the DMCC website.

E. DEED Agreement, Transit Aid Agreement.

In order to qualify for general State infrastructure aid, the Act requires that the City and the Commissioner of Department of Employment and Economic Development enter into an agreement that will govern the State funding. The City has taken the lead role in negotiating and drafting the agreement with DEED as well as an agreement with the County, and those discussions are underway. We expect that these agreements will be finalized shortly.

II. Specific Elements Required to Be Included in the Report.

The Act requires that certain elements be included in this annual report. Some of what is presented here has been referenced above.

A. "The Development Plan and any proposed changes to the Development Plan."

The proposed Development Plan has been drafted and was submitted to the DMCC on December 17, 2014. It has been posted and available for public review and comment since that date. On January 29, 2015, the DMCC formally submitted the draft Development Plan to the City, triggering the sixty-day period for the City's review and action. Upon action by the City, the City will then forward the Development Plan back to the DMCC. The DMCC will hold a public hearing on the Development Plan, and upon the DMCC's findings as required by the Act, will approve the Development Plan.

B. "Progress of projects identified in the Development Plan."

Because the Development Plan is in draft form and is not scheduled for full approval until early April, there are no projects yet identified or approved in the Development Plan.

C. "Actual costs and financing sources, including the amount paid under Minnesota Statutes Section 469.47, and required local contributions of projects completed in the previous two years by the DMCC, City, Olmsted County and Mayo."

As noted above, because the Development Plan has not yet been approved, no public infrastructure projects have been approved for funding.

With respect to private projects, the Act requires that DEED must certify that Two Hundred Million Dollars of private investment has been made before any state funding may be

paid. To date, Mayo Clinic has announced its first expansion related to the Destination Medical Center initiative: a \$72 million expansion of the St. Mary's campus. In addition, there has been significant third party interest from developers and other entities considering investment opportunities in Rochester. The Act requires that an annual certification of private investment by Mayo or other private investors be made to DEED by April 1 of each year. Attached is the annual certification of private investment that was submitted to DEED by April 1, 2014, as well as the DEED certification.

D. "Estimated costs and financing sources for projects to be started in the next two years by the DMCC, City, Olmsted County and Mayo."

The Development Plan sets forth a framework and examples of projects that may be considered for funding in the next several years. Each project will be approved on an individual basis. See also the response to "C," above.

E. "Debt service schedules for all outstanding obligations of the City for debt issued for projects identified in the plan."

As noted above, because the Development Plan has not yet been approved, no projects have been identified or approved in the Development Plan.

Thank you for your consideration of this annual report. On behalf of both the DMCC and the City, we welcome your comments or questions. We look forward to substantial progress on the Destination Medical Center initiative in 2015.



Tina Smith, Chair
Destination Medical Center Corporation

Ardell Brede, Mayor
City of Rochester

Enclosures
cc: Legislative Reference Library



200 First Street SW
Rochester, Minnesota 55905
507-284-2511

March 31, 2014

Katie Clark Sieben
Commissioner
Minnesota Department of Employment and Economic Development
1st National Bank Building
332 Minnesota Street, Suite E-200
Saint Paul, MN, 55101-1351

Dear Commissioner Sieben:

Attached with this letter is Mayo Clinic's certification of qualified expenditures of the medical business entity for the Destination Medical Center (DMC) initiative for the period starting June 30, 2013 and ending December 31, 2013. The amount of qualified investment for this report is approximately \$6.9 million.

It is important to note that this is the initial reporting period for DMC expenditures, and the DMC law permits us to only report those expenditures that are directly related to permits pulled for projects after June 30, 2013 and that are made for such projects through the end of the year.

In reality, Mayo Clinic expended more than \$300 million on capital projects and equipment in Rochester in calendar year 2013. This work included two marquee projects, the new Proton Beam facility and the expansion of the Dan Abraham Living Center. It is important to note Mayo Clinic's average capital and equipment expenditures for the last five years have exceeded more than \$200 million annually. Mayo Clinic is taking a conservative approach when counting eligible investments and expenditures for purposes of meeting the DMC investment thresholds.

Due to the authorization of the DMC legislation last year, Mayo Clinic is deepening its commitment to Rochester and the State of Minnesota. Since January 1, 2014, we have started work on the \$72 million expansion of St. Mary's Hospital and will announce other projects in the coming months that will proceed now that we have the confidence the tools are in place to support the DMC-related private investments. We look forward to working with the State of Minnesota, City of Rochester, Olmsted County and other stakeholders to strengthen our economy and further strengthen Minnesota's position as the world's premiere destination medical center.

We will follow up with Tom Gast and Jeremy Lacroix in your office to review the certification form and to follow up with any additional information, if needed.

Thank you.

Sincerely,

A handwritten signature in dark ink, appearing to read "JB", followed by a series of stylized, overlapping horizontal strokes.

Jeff Bolton
Chief Administrative Officer

cc: Tom Gast, Minnesota Department of Employment and Economic Development
Jeremy Lacroix, Minnesota Department of Employment and Economic Development
Tina Smith, Chair of Destination Medical Center Corporation Board of Directors
Patricia Simmons, Chair of Economic Development Agency Board of Directors

**Certification of Expenditures
Destination Medical Center**

For Calendar Year 2013

Due to Commissioner of Employment and Economic Development (DEED) by April 1

Pursuant to Minnesota Statutes, Section 469.47, the Medical Business Entity and the Destination Medical Center Corporation (DMCC) Board of Directors (assisted by the City of Rochester) respectively submit to the Department of Employment and Economic Development (DEED) the following expenditures that relate to the Destination Medical Center (DMC) Development for the calendar year 2013, and the information required to support the approved methodology provided in the City of Rochester Commissioner of Employment and Economic Development State Infrastructure Aid Agreement (State Infrastructure Aid Agreement).

Expenditures Reported this Year

Total Expenditure Reported This Year by Medical Business Entity¹

\$6,956,469

Total Expenditure Reported This Year for individuals and other private entities^{1,2}

\$0

TOTAL Expenditures This Year

\$6,956,469

Cumulative Expenditures

Cumulative Previous Expenditures

\$0

Previous Qualified Expenditures (minus \$200,000,000 Required Initial Investment)

(\$200,000,000)

TOTAL Expenditures This Year (from above)

\$6,956,469

Cumulative Qualified Expenditures as of 12/31/13

(\$193,043,531)

State Aid Qualified for this Year (local government match also required)

General State Infrastructure Aid Qualified for (Cum. Qual. Exp. multiplied by .0275)

State Transit Aid Qualified for (Cum. Qual. Exp. multiplied by .0075)

By providing my signature below, I certify that the information stated herein, to the best of my knowledge, is accurate, true and complies with the provisions of Statute 469.47 of the State of Minnesota and the approved methodology as outlined in the State Infrastructure Aid Agreement.

For Expenditures By the Medical Business Entity:



Mayo Clinic Chief Financial Officer



Date

For all other Expenditures



DMCC Treasurer



Date

¹ Expenditures need to be after June 30, 2013

² Other Private Entities' certification of expenses may be certified retroactively in 2014 after the DMC District and plan are adopted.



May 29, 2014

Tina Smith, Chair
Destination Medical Center Corporation
4720 West Lake Harriet Parkway
Minneapolis, MN 55410

Jeff Bolton, Chief Administrative Officer
Mayo Clinic
200 First Street SW
Rochester, MN 55905

Dear Ms. Smith and Mr. Bolton:

Thank you for submitting the 2013 Certification of Expenditures for Destination Medical Center (DMC). We are excited to assist with this initiative to make the Mayo Clinic, Rochester, and Minnesota a premier medical destination.

Your Certification listed \$6,956,469 in DMC qualified expenditures made by the Mayo Clinic in 2013. The Mayo Clinic provided DEED with organized, detailed, and expansive information on all invoices and payments to account for the certification amount. You also provided an independent third party report from McGladrey LLP stating the law and procedures for certifying expenditures are being followed properly. Additionally, DEED staff reviewed invoices and payments for more than 25% of the expenditures in your certification. DEED acknowledges the expenses and payments met guidelines and the internal accounting and auditing system the Mayo Clinic has in place is sufficient.

As required by law, I have determined that the amount of 2013 Destination Medical Center expenditures is \$6,956,469 as you certified. The DMC \$200 million cumulative expenditure threshold has not been met and the state will not be investing funds for public infrastructure or transit this year. The 2013 expenditures will be credited towards future years for this purpose.

Thank you again for your efforts on this groundbreaking economic development effort. We look forward to seeing the completion of the DMC Plan and assisting with its development.

My best regards,

A handwritten signature in cursive script that reads "Katie Clark Sieben".

Katie Clark Sieben
Commissioner

C: Patricia Simmons, Chair of Economic Development Agency Board of Directors
Lisa Clarke, Economic Development Agency Executive Director
Gary Newman, City of Rochester